

**No More Business as Usual:
A Call for Action on UN Reform**

**Testimony before the House Government Reform Subcommittee on
National Security, Emerging Threats, and International Relations**

**Presented by the Honorable John R. Bolton
Permanent Representative of the United States to the United Nations**

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I. Introduction

Mr. Chairman, thank you for inviting me here today to discuss this important topic. The issue of management reform in the United Nations at first glance is not one that seems terribly exciting or necessarily receives the attention in the press that it deserves, but in many ways it is the most important. One need look no further than the Oil-for-Food scandal to see what happens when issues such as the transparency, accountability and independent oversight of UN operations are ignored. Reform of the management structures within the UN is no guarantee that effective policies will be adopted, but lack of reform will almost certainly doom prudent policies to failure.

In this case, though, policy failure has very tangible, even tragic consequences in the real world and on the lives of real men, women and children. In addition to creating an environment which fosters waste and corruption, the lack of effective management structures means critical services or supplies are not delivered. This means that vulnerable populations might not receive the humanitarian assistance they need. It can also mean that there are delays in providing the necessary equipment, materials or support services to peacekeeping missions, with the result that such missions cannot fulfill their mandates effectively. It means, Mr. Chairman, that when we are discussing management reform, we are ultimately talking about people's lives.

The United States has joined with others to launch an ambitious agenda of reform--reforms we think are vital to putting the United Nations back on track. This is consistent with Secretary Rice's call last September before the 60th meeting of the General Assembly to "launch a lasting revolution of reform."

Already, though, we can see sharp divisions emerging and clear battle

Put differently, it is not a situation of "battle fatigue" up in New York; rather, the battle is just beginning with two sharply divergent positions emerging. On one side, you have a group of 30 or so nations whose combined contributions total more than 80% of the UN budget pushing an ambitious reform agenda. These nations, of which the U.S. is part, strongly support many of the elements the Secretary General is pushing to reform the managerial structures and processes within the UN. We are also working to establish a process to thoroughly review all UN mandates originally adopted more than 5 years ago. Unfortunately, we are encountering opposition from the G-77, who are arguing that their review excludes mandates that have been renewed by the General Assembly within the last 5 years. The G-77 position, if adopted, would exclude from the review some 75% of presently active mandates and hamper our ability to eliminate significant waste and overlap within the UN system. To date, these countries have made clear not only that they are uninterested in reform, but that they will actively oppose it and do everything they can to block it.

In the time remaining, I would like to focus on two topics which are the primary focus of this hearing, the viability of future UN sanctions in light of the Oil-for-Food scandal and then more broadly on the UN management reforms.

Oil-for-Food

Mr. Chairman, let me thank you again for highlighting the importance of the Oil-for-Food scandal. It is important to do so because there are many within the UN community who would just as soon have it never discussed again. It is always difficult to shine the light on one's own shortcomings and enact the necessary reforms, but it must be done. As Paul Volcker, chairman of the Independent Inquiry Commission which did such an excellent job investigating the Oil-for-Food scandal noted, "To settle for less, to permit delay and dilution, would be to invite failure. It would, in reality, further

the Independent Inquiry Commission (IIC) has not yet expired. The IIC is continuing provide access to materials which would assist member states in their legal and judicial proceedings against their own citizens or companies that were involved in illicit activity. We applaud countries like Australia which are not just prosecuting companies and individuals who defrauded the system, but are doing so in a very public fashion. Know that the United States will do the same to discourage this criminal behavior in the future if warranted. To date, we know of some 62 jurisdictions spanning 25 countries, including the U.S., that have sought IIC assistance in investigating potential crimes.

While the figures are well-known to many, it bears repeating them in a public forum as often as possible. According to the IIC, Saddam Hussein's regime diverted some \$1.8 billion in illicit kickbacks and surcharges. And more than 2000 companies were involved in these illicit payments. The report recently released by the General Accounting Office notes that Saddam Hussein's regime might have obtained up to \$12.8 billion in illicit revenue in the process. This money went directly into the coffers of one of the most oppressive dictatorships this world has ever known.

Fundamentally, as we look at what went wrong with the Oil-for-Food Programme, we must acknowledge forthrightly that, in addition to failing to administer its duties properly, the UN was ill-equipped to handle a project of that size and scope in the first place. Louise Frechette, the recently retired Deputy Secretary-General, did not mince words when she stated last year that, "Personally, I hope to God we never get another oil-for-food program or anything approaching that kind of responsibility, which was tantamount to trying to oversee the entire import-export regime of a country of 24 million people, which was a tall order." While less colorful in its description, the IIC concurred in its final report, noting that, "For UN agencies, the work went beyond their core competencies of overseeing the distribution of humanitarian goods—from monitoring, planning, and consulting—to infrastructure rebuilding, thus multiplying problems."

that the UN is ill-equipped to perform certain functions. To some extent then, some fault lies directly with the Security Council for their failure to clearly define the parameters and administrative responsibilities of the Oil-for-Food Programme, a point directly flagged by the IIC as well.

In direct answer to the question then, of whether or not the UN was equipped to handle a project of this magnitude, it seems reasonable to conclude that the answer is "no". But other sanctions regimes already exist and there is always the possibility that the international community will have to consider similar types of sanction regimes as warranted by events. In that case, it seems that one valuable lesson to be learned from this scandal when considering future sanctions regimes is for the Security Council to do a better job of clearly delineating responsibilities and lines of authority.

This being said, we must also address the significant shortcomings and failures of the Secretariat in the oversight and administration of the program. There is little doubt that the culture within the UN system fostered an insidious environment which enabled the Oil-for-Food scandal to become much larger than it ever should have. The failures on the part of the Secretariat were manifold, ranging from inadequate audit controls, violation of procurement regulations, and ethical lapses on the part of some UN staff members managing the program. We concur with both the IIC and the Government Accountability Office (GAO) in their finding that the structure of the program itself made it "vulnerable to fraud and abuse", to quote the GAO directly.

As Paul Volcker, Chairman of the IIC noted, though, it was a less a "culture of corruption" than a "culture of inaction" which fed the scandal. The term Mr. Volcker used, "culture of inaction" during his now famous Congressional testimony last year, has now become ingrained in our lexicon to describe the state of affairs up at the United Nations. It is an apt expression and salient to this day for the following reason: it is not clear that the necessary steps have been taken by the UN to put in place procedures

for-Food do not reoccur. One chief concern is the independence and autonomy of the Office of Internal Oversight Services, or OIOS. OIOS is the Inspector General of the UN, the body charged within the UN system to provide internal auditing, investigation and evaluation of all activities under the authority of the Secretary-General. Any investigative body must not be beholden to those that it is responsible for investigating.

A number of studies, including our own Government Accountability Office in a report issued just last week, as well as our own experience, give us pause for concern about the ability of OIOS to operate independently and autonomously. Initially, there are concerns that the OIOS is funded by those it sometimes may be required to investigate, which can obviously create an inherent conflict of interest. Moreover, just last week there were reports that the Secretariat was pressuring OIOS investigators to take into account political considerations when conducting investigations. This is categorically unacceptable and OIOS should never be pressured by those who fund it to change its conduct or alter its findings. We also encourage OIOS to continue making public any and all findings and conclusions it reaches whenever requested, a requirement the United States got approved in the UN General Assembly. This can serve as a valuable tool for member states to take action or push through reforms that are sorely needed. We will push hard for creation this year of an Independent Audit Advisory Committee to validate the quality of OIOS's work and recommend levels of funding and personnel independent of the UN bureaucracy's audits of OIOS.

To be sure, having an independent and autonomous OIOS is a necessary but not sufficient step to prevent abuses from occurring in the future. But as noted earlier, it will be the responsibility of member states, notably states that are members of the Security Council, to remain deeply involved in ensuring that United Nations remains a less attractive environment for those who would manipulate the system for their personal gain.

measures to improve internal oversight, identify cost savings, and ensure that precious resources are used for their intended purpose."

Broadly speaking, the debate on management reform has two fronts.

First is the debate on the review of program mandates passed by either the General Assembly or the Security Council that are more than five years old. Implementing an established and routine process to review program mandates is critical because -- and what I say is not an exaggeration -- there is no systemized process in place to review mandates that might be obsolete or ineffective, nor has there been one at all in the 60 year existence of the UN. We hope to establish an ongoing process which will enable us to review program mandates not just now, but in the future as well. Reform of the UN should be done on a continuing basis, not just done in an ad hoc fashion.

The United States has identified a number of mandates that are appropriate for early action, and is working with other member states to achieve some early results in the review. Unfortunately, Mr. Chairman, it would be disingenuous of me to testify before you here today that I am optimistic. The reason for my lack of optimism is the resistance of many member states, mostly comprised of the G-77, who have been actively resisting critical management reforms which we feel go hand in hand with the review of program mandates. As I noted at the beginning of my remarks, the G-77 is trying to strictly limit the number of program mandates subject to review. This is unacceptable and if they succeed, I can tell you that we will have lost a unique opportunity to implement a number of key reforms.

The second aspect related to management reforms are those dealing with the rules and regulations governing agencies and programs. Unfortunately, the G-77 is resisting efforts by the Secretariat to reform and streamline these managerial structures and practices. Allow me for a

fundamental change. What is needed, and what we now have a precious opportunity to undertake, is a radical overhaul of the entire Secretariat – its rules, its structure, its systems – to bring it more in line with today's realities, and enable it to perform the new kinds of operations that Member States now ask and expect of it....Such a radically expanded range of activities calls for a radical overhaul of the United Nations Secretariat — its rules, structure, systems and culture. Up to now, that has not happened."

To be sure, we do not agree with every single reform proposed by the Secretary-General, but we certainly agree with his diagnosis of the problem. We are prepared to engage seriously with both the Secretariat and other member states to pass a number of ambitious reforms we think would help revitalize the United Nations. Unfortunately, we have encountered not indifference or a lackadaisical attitude toward these reforms by the G-77 -- we have encountered outright resistance and hostility to any reform effort at all. Just last week, the Fifth Committee voted against measures which would have increased the ability of the Secretariat to implement a number of significant reforms. Many member states have pet projects that they will defend -- projects which are wasteful and serve little to no purpose.

Conclusion

Mr. Chairman, in conclusion, let me state the next few months will be critical in determining whether or not member states take seriously the issue of UN reform. I can tell you that the U.S. Mission and the State Department are actively engaged in this effort both in New York and in capitals around the world. We welcome interest from Congress in helping us advance our shared efforts in reform. As the largest financial contributor to the United Nations, the United States has a particular and profound interest in advancing our reform agenda. Failure to do so is to invite failure and encourage more scandals like Oil-for-Food in the future.